GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:256
ANSWERED ON:03.02.2017
Liquidity in Banks
Venugopal Dr. Ponnusamy

Will the Minister of FINANCE be pleased to state:

(a) whether the 75 per cent of the amount collected for each Public Sector Bank is being released now to provide liquidity support for lending operations as also to enable banks to raise funds from the market;

(b) if so, the details thereof;

(c) whether the remaining amount to be released later would be linked to performance, with particular reference to greater efficiency, growth of both credit and deposits and reduction in the cost of operations; and

(d) if so, the details thereof and the steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) to (d): In line with the announcements made under Indradhanush and the Union Budget, Government has undertaken an exercise to assess the capitalization needs of Public Sector Banks during the year 2016-17. The capital infusion exercise for the current year is based on an assessment of need as assessed from the Compound Annual Growth Rate (CAGR) of credit growth for the last five years, banks' own projections of credit growth and an objective assessment of the potential for growth of each Public Sector Bank. Consequent upon the above exercise, 75% of the amount allocated to each bank has been released to provide liquidity support for lending operations as also to enable banks to raise funds from the market. The remaining amount, is linked to performance, with particular reference to greater efficiency, growth of both credit and deposits and reduction in the cost of operations. A total of Rs.22, 915 crore has been allocated to 13 banks at present.
****